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RENEWING THE UNITED NATIONS: A PROGRAMME FOR REFORM

Report of the Secretary-General

Addendum

Results-based budgeting

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RESULTS-BASED BUDGETING

Introduction

1. In paragraph 241 of his programme for reform (A/51/950), the Secretary-General recommended:

> "That the General Assembly review the existing arrangements governing the planning, programming and budgeting process in order to enhance their role in providing strategic direction, establishing better performance yardsticks and reporting and focusing more on accountability for performance than on input accounting - a shift to results-based budgeting."

2. The present note explains the basic concepts involved in results-based budgeting and how these ideas might be applied to the United Nations. In this connection, the Advisory Committee on Administrative and Budgetary Questions in its first report on the proposed programme budget for the biennium 1998-1999 indicated that the idea, "needs to be followed up with a detailed report that would include an explanation and justification of the proposed change, and of the new methodology to be used, as well as a mock-up of such a budget".[1] While recognizing that these technical needs should be fully met before implementing results-based budgeting, the present paper seeks only to provide a general overview of the topic to support policy discussion of the issue in the General Assembly. Should the Assembly decide to proceed further with the proposal, detailed technical papers would be produced for review by relevant expert and other bodies involved.

What is results-based budgeting

3. The key identifying feature of results-based budgeting is that the emphasis is on the outputs to be produced (reports, studies, conferences, etc.) and consequent outcomes as opposed to input budgeting where the defining feature is an emphasis on the inputs (staff, materials, equipment, etc.). The orientation towards either outputs or inputs is important at all stages of the budget process (programming, budgeting, implementation, monitoring and evaluation). However, the most important determining factor here is the initial budget proposal stage as this sets the output pattern and framework for all subsequent stages.

4. The basic concept of results-based budgeting at the programme formulation stage may be illustrated by a simple example of public information publications. Within an input-budgeting framework the focus would be on budgeting and subsequently controlling the expenditure items such as the salaries and common staff costs, printing costs and other operating expenses. In results-based budgeting the focus would be to ensure that the booklets and publications meet the required qualitative and quantitative criteria in a timely manner within a pre-agreed budget. The financial management focus in results-based budgeting would thus be on controlling the overall (as opposed to individual) expenditures and on ensuring that outputs are delivered within the agreed budget.

5. The table below sets out the different budget control points of two frameworks:

Expenditure item		Thousands of United States dollars
Salaries and common staff costs	(a)	5 300
Editorial costs	(a)	750
Travel	(a)	100
Printing	(a)	230
Other operating expenses	(a)	250
Total	(b)	6 630

- Under an input-budgeting regime all items marked (a) are budgeted and controlled.

- Under a results-based budgeting the same items marked (a) would be budgeted, but only item (b) is controlled.

In the case of results-based budgeting the programme manager can change the expenditures input mix to take advantage of relative price, technology or other changes as long as the output can be produced within the $6,630,000 budget. In the case of input budgeting the manager does not have the same freedom to manage the resources and would be bound by the initial budgeted mix.

6. When a programme is formulated in output terms the legislative focus on budgetary control can shift away from budgeting and controlling specific budget lines (inputs) to ensuring that the outputs (results) are delivered according to their performance dimensions (quantity, quality and timeliness) within the agreed overall price. Managers are thus not constrained by budget line items, but must deliver the agreed outputs within the overall budget authorization. Output monitoring and evaluation systems usually need to be strengthened to support this change of emphasis to results.

7. The programme managers' focus thus shifts from controlling inputs to determining and providing outputs, to monitoring and ensuring that the agreed outputs have actually been delivered. It is a shift from specification of inputs to specification of outputs and ex-post reporting on output delivery and use of inputs.

8. Results-based budgets thus focus more on results to be achieved, and less on how the money is to be spent within the overall allocation. They contain information on the cost, quantity and quality of outputs to be produced. For example, a results-based budget for a conference-servicing operation would contain data on how many meetings would be serviced, along with the cost per meeting, by type. While information would continue to be provided on the level of resources required to achieve those outputs (results), it is possible to focus on tangible results expected rather than on minute details on inputs (such as number and type of staff and other operating costs), required to achieve the outputs.

9. Results-based budgeting is premised on enhanced responsibility and accountability of programme managers for their activities and consequential delivery of results. It is essentially about giving managers control over inputs so that they can best manage the production of outputs required to support the desired outcomes. Budgetary resources are therefore approved on the basis of outputs or groups of similar outputs. To be an effective accountability mechanism these groups of outputs would need to meet the following criteria:

- The outputs in the group should be homogeneous.
- The performance dimensions (quality, quantity, timeliness and cost) associated with each group of outputs would provide information for executive decision-making and legislative scrutiny.
- The level of detail must be sufficient to make the relevant department or other supplier properly accountable for the activities.

Accountability

10. Results-based budgeting when carefully designed and implemented does not relax accountabilities. It moves the focus of accountability away from compliance with rules about the administration of inputs to one in which accountability is focused on producing the desired output and managers are held accountable for determining the optimal input mix within their budgets. It makes the programme manager responsible and accountable for his or her outputs and consequent outcomes, while making the task more interesting and challenging and allowing for innovation.

11. While results-based budgeting removes the requirement to manage within specific budget lines managers are accountable for their overall allotments which serve as an upper limit for the aggregate costs of outputs. Managers would have the flexibility over how they control and manage their budgets and the mix of inputs they use. But they would not have the ability to increase a given output cost above its prescribed budget limits. Thus while programme managers would have the responsibility to remain within their authorized allotments, they would also have full accountability for their planned outputs and related outcomes.

12. It should be noted that the requirement for detailed information on inputs would not be eliminated under the results-based budgeting system. Input data would continue to be collected and monitored, and would be produced when required for cost-benefit analysis or other purposes.

13. From a budgetary perspective, since outputs are quantifiable and price sensitive, it facilitates review and monitoring of budgetary changes and impact on the organization. Financial control shifts to financial analysis, allowing financial management to move from input review to impact assessment and evaluation of outputs.

14. Results-based budgeting focuses on value for money and cost-effectiveness. It facilitates comparison of the relative cost-effectiveness of different

outputs or groups of outputs across the organization. Moreover, it simplifies the use of baseline standards, particularly when identical outputs are being produced in different parts of the organization.

Introduction of results-based budgeting in the United Nations

15. Although the introduction of results-based budgeting has sometimes been hailed as a revolutionary step in some Governments it would be more in the nature of an evolutionary development in the United Nations. The use of pure input budgets was discontinued in the United Nations when programme budgeting replaced the former object of expenditure budgets in 1974. Up to that time budget sections had been defined in terms of the major objects of expenditure. Since 1974 budget sections have been largely defined in terms of programmes to be carried out by major organizational units and these programmes have been formulated within the framework of a medium-term plan that describes their components, their legislative basis and their objectives. Much work was undertaken to define outputs, to monitor these and to formalize in 1987 these arrangements within a set of detailed rules and regulations covering all aspects of the planning, programming, budgeting, monitoring and evaluation cycle.

16. The results have sometimes been disappointing perhaps because many rigidities of input budgeting formerly existing in the object of expenditure budgets were carried over in 1974 to the new programme budget structure at the individual section levels. The result is a somewhat mixed arrangement that is particularly constraining to programme managers as it combines the restrictive elements of both input and output budgeting without any significant discretionary flexibility. The relevant rules and regulations are now due for an overhaul as some elements require modification in the light of experience.

17. A shift to results-based budgeting would mean looking again at the way United Nations outputs have been budgeted and defined, the way they are provided for in dollar terms, and the way they are monitored and evaluated. Despite many years work defining outputs the present arrangements are somewhat wanting and provide little information as regards related outcomes. The amount and degree of detail to be provided by object of expenditure would also need to be assessed. Greater levels of detail may be required for formulation and scrutiny purposes than may be needed for implementation and control requirements.

18. While it is relatively easy to contemplate providing programme managers with discretionary authority to move funds between most non-post objects of expenditure there may be particular reasons for retaining current arrangements as regards the maintenance of staffing tables and fixed salary scales. In this regard it may be noted that practice varies between Governments that have adopted results-based budgeting. Although in some radical cases the practice of establishing fixed budgetary staffing tables has ceased in other more moderate cases it has been maintained. The issue in the case of the United Nations would have to be considered in the context of what arrangements would need to be in place from a human resource perspective to ensure the maintenance of geographical and gender distribution within the Secretariat.

19. The Secretary-General recognizes that a shift to results-based budgeting would have a number of implications across the Secretariat. To work effectively

it would require greater delegation of authority and responsibility to programme managers and thus a decentralized management structure. Programme managers would be required to produce least-cost outputs, in accordance with pre-approved performance dimensions. They would therefore be able to control the input "mix". This would require a change from the current centralized management of resources.

20. Since a key aspect of accountability for results is transparency of performance information, management information systems would need to be able to provide improved analytical tools for the monitoring and evaluation of outputs and outcomes. This would require establishment of well-defined information systems to support results-based performance reporting.

21. The creation of a results-based budgeting framework would represent a substantial shift away from input control to the management of resources for delivery of the required outputs. It would also require a shift in the management culture of the Organization as a whole.

22. The Secretary-General believes that this proposed change would provide Member States with increased transparency in the delivery of mandated outputs, using measurable performance indicators, as well as providing a sound basis for increase in efficiencies in their implementation.

23. Should a policy decision be agreed in principle by the General Assembly to introduce results-based budgeting the Secretary-General would need to be requested to report back to the Assembly through the Advisory Committee on Administrative and Budgetary Questions and the Committee for Programme and Coordination on any revisions that might be required and desirable under the relevant rules and regulations. In addition, any prospective changes in procedures or in the format of the programme budget would need to be presented for approval prior to their introduction.

Notes

[1] Official Records of the General Assembly, Fifty-second Session, Supplement No. 7 (A/52/7), para. 30 (b).

ANNEX

Definitions of terms

Inputs

Resources (such as posts, supplies and materials, travel) that are used to produce goods and services. An example is the salary of a programme officer or an accounts clerk.

Outputs

Goods and services (such as the number of staff recruited, reports issued, meetings serviced or computers purchased), which have been produced or purchased using the above inputs. Outputs need to be capable of being defined in terms of quantity, quality, timeliness and cost. An example is the management of conference services. Specific outputs in this function would include the provision of editorial and translation services, the printing of documents and the arranging of facilities.

Outcomes

Impacts of an output or a group of outputs on the overall objectives which may be agreed by the legislative bodies, such as increased health education leading to improvement in the environment, and enhancement of global security through a peacemaking or peacekeeping operation.

Results-based budgeting

Methodology and format for developing budgets that focus on outputs and outcomes, using predetermined criteria set by Member States.

Results-based performance reporting

Format for reporting achievements to enable comparison between planned and actual outputs and outcomes, using performance indicators as a basis for measurement.